

Message Text

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ACTION ARA-20

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FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 6977

C O N F I D E N T I A L BUENOS AIRES 4556

E.O. 11652: GDS

TAGS: EIND, AR

SUB: ENTEL CONTRACTS WITH STANDARD ELECTRIC

REF: BA 9028, 12/12/73

1. CHAMBER OF DEPUTIES ON JUN 6 UNANIMOUSLY APPROVED AND FORWARDED TO EXECUTIVE BRANCH FINAL REPORT OF ITS SPECIAL COMMITTEE INVESTIGATING CONTRACTS BETWEEN ENTEL AND FOREIGN-OWNED SUPPLIERS STANDARD ELECTRIC (ITT SUBSIDIARY) AND SIEMENS. CHAMBER RESOLUTION REQUESTED EXECUTIVE TO MOVE TO ANNUL CONTRACTS IN MANNER IT DEEMED APPROPRIATE AND TO WORK OUT ADJUSTMENT OF ACCOUNTS BETWEEN ENTEL AND SUPPLIERS BASED ON MATERIAL CONTAINED IN REPORT. MATERIAL ALSO FORMALLY PASSED TO JUDICIARY, FOR USE IN POSSIBLE LEGAL ACTION AGAINST INDIVIDUALS INVOLVED IN CONTRACTS, AND TO SENATE, IN CONNECTION WITH ITS CONSIDERATION OF BILL, PASSED BY CHAMBER IN NOVEMBER 1973, TO ANNUL 1969 DECREE WHICH APPROVED ORIGINL CONTRACTS (REFTEL). CHAMBER'S ACTION DOES NOT CHANGE STATUS OF ITS BILL, WHICH STILL AWAITING SENATE ACTION.

2. WITH CHAMBER'S INVESTIGATION COMPLETED, EXECUTIVE BRANCH NOW EXPECTED TO BEGIN SOME FORM OF NEGOTIATIONS WITH ENTEL'S SUPPLIERS TO DETERMINE EVENTUAL AMOUNT ENTEL WILL PAY AND
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TERMS OF PAYMENT. AT SOME POINT, HOWEVER, CONGRESS APPARENTLY

WILL HAVE TO COMPLETE LEGAL PROCEDURE TO ANNUL 1969 DECREE, AND THUS GIVE EXECUTIVE FREE HAND IN AMENDING OR REPLACING EXISTING CONTRACTS. WE UNDERSTAND THAT IN PRESENT SITUATION, ENTEL REQUIRES CONGRESSIONAL APPROVAL FOR EACH PAYMENT MADE TO SUPPLIERS.

3. GENERAL MANAGER OF STANDARD ELECTRIC ARGENTINA SEEMED RELATIVELY PLEASED WITH RECENT DEVELOPMENTS IN MEETING WITH EMBOFFS. HE EXPLAINED THAT STANDARD HAD OPENED ITS RECORDS TO COMMITTEES INVESTIGATORS, WHO FOUND EVIDENCE OF ONLY TWO MONOR INFRACTIONS WHICH WILL RESULT IN STANDARDS PAYMENT OF SMALL FINES. SIEMENS APPARENTLY DID NOT COOPERATE WITH THE COMMITTEE TO THE SAME DEGREE.

4. STANDARD ACQUIRED ADVANCE COPIES OF COMMITTEES REPORT, CONSISTING OF VIE VOLUMES, AND FOUND NUMBER MAJOR INTERNAL CONTRADICTIONS. THESE WERE BROUGHT TO ATTENTION OF PRESIDENT OF CHAMBER AND CHAIRMAN OF INVESTIGATIVE COMMITTEE BEFORE REPORTS RELEASE, AND ACCORDING TO STANDARD, CONTRIBUTED TO MODERATE TONE OF CHAIRMANS PRESENTATION AND FINAL RESOLUTION. STANDARDS MANAGER PARTICULARLY PLEASED THAT RESOLUTION DID NOT CALL FOR EXPROPRIATION OF NATIONALIZATION OF COMPANIES, AND DID NOT FIX AMOUNT OF ALLEGED OVERCHARGES BY COMPANIES.

5. ACCORDING TO STANDARDS CALCULATIONS, ENTELS CURRENT DEBT TO STANDARD UNDER CONTRACT SLIGHTLY OVER 600 MILLION PESOS (10 PESOS TO 1 \$US). ABOUT 100 MILLION OF THIS REPRESENTS INTEREST CHARGES, WHICH COMPANY DOES NOT EXPECT TO COLLECT, AND REMAINDER APPEARS TO BE SUBJECT TO SOME NEGOTIATION. THEY ESTIMATE ENTEL DEBT TO SIEMENS AT ABOUT 200 MILLION PESOS. STANDARD ACKNOWLEDGES THAT ENTEL WILL BE ABLE TO OFFSET PORTION OF DEBT BY CLAIMING PENALTY PAYMENTS FROM COMPANIES FOR THEIR FAILURE TO DELIVER MATERIAL IN ACCORD WITH CONTRACTS.

6. STANDARDS MANAGER EXPECTS MIN OF ECON TO BE GIVEN RESPONSIBILITY FOR WORKING OUT SETTLEMENT BETWEEN ENTEL AND COMPANIES.
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